



United States Department of the Interior

FISH AND WILDLIFE SERVICE
Washington, D.C. 20240



DIRECTOR'S ORDER NO. 112

Subject: Requirements for Reviewing, Approving and Updating Appraisals

Sec. 1 What is the purpose of this Order? This Order amends 342 FW 1 and 2 of the Fish and Wildlife Service Manual, the Appraisal Handbook (342 FW 1), and the Appraisal Review Handbook (342 FW 2).

Sec. 2 To whom does this Order apply? This Order applies to employees who supervise, prepare, review, or contract for real estate appraisals or appraisal services, or who administer programs, including grants-in-aid programs, that require real estate appraisals.

Sec. 3 What parts of the Fish and Wildlife Service Manual and Handbooks are being amended? Except for the changes noted below, the provisions of 342 FW 1 and 2 and their associated Handbooks remain in effect pending revision. This Order amends:

- a. 342 FW 1.5C(1) to create a firm expiration period for appraisals.
- b. 342 FW 1.5F to raise the threshold for obtaining a second appraisal, to clarify policy regarding second appraisals for grants-in-aid programs, and to clarify that when two appraisals are required, both must be acceptable for payment
- c. 342 FW 2.9 to distinguish between "rejected" appraisals and "accepted but not approved" appraisals.

Sec. 4 What is the firm expiration date for appraisals? Statements of Just Compensation (SJC) must be based on appraisals that reflect current market values and are not more than 12 months old from the date of value. Revalidate or update appraisals and appropriately document the file for any appraisal over 12 months old at the time of the issuance of the SJC, or for any reissuances of an SJC.

Sec. 5 What is the new threshold for securing second appraisals? The monetary threshold for obtaining a second appraisal is \$1 million.

Sec. 6 When two appraisals are required, must both be acceptable? You cannot count a rejected appraisal as a second appraisal in fulfillment of our two appraisal policy. Unless a waiver of the second appraisal requirement is obtained in accordance with our two appraisal policy, both appraisals must be acceptable.

Sec. 7 If a contract appraisal is rejected, should the contractor be paid? If a contract appraisal is rejected, we will pay only for those parts of the appraisal or the appraisal services that are of use to us. Do not reject a contract appraisal if it meets contract specifications.

Sec. 8 Can the two appraisal requirement be waived? Yes. Regional Review Appraisers have authority to waive the second appraisal requirement for valuations up to \$1.5 million. For valuations over \$1.5 million, the Chief Appraiser may waive the second appraisal requirement when adequate justification is received from the Regional Review Appraiser or the Regional Supervisory Appraiser. The decision of the Regional Review Appraiser or the Chief Appraiser, as applicable under this policy, will be final.

Sec. 9 How are these waivers requested and documented? For waivers up to \$1.5 million, the Regional Review Appraiser must document the waiver decision in writing. For waivers over \$1.5 million, submit requests for waivers in writing to the Chief Appraiser. To show that waivers have been coordinated through the Regional reviewing authority, as required by the Appraisal Handbook, the Regional Review Appraiser must concur in writing by signing a concurrence line or attaching a separate document. The Chief Appraiser may sign a concurrence line on the waiver request memorandum or document his or her decision in a separate memorandum.

Sec. 10 What criteria will be used for granting waivers? Grant waivers for cases where current appraisal data on similar properties in the same area make second appraisals comparatively redundant, or for cases where the actual dollars to be spent are significantly less than the threshold. For example, cases of small takings from larger properties that are appraised by the "before and after" method. Do not grant waivers only for the sake of expediency.

Sec. 11 Does this two appraisal policy also apply to grants-in-aid programs? No. For grants-in-aid programs, including the North American Wetlands Conservation Act (NAWCA) program and the Division of Federal Aid, the two appraisal threshold is not applicable. For these programs, there is no dollar threshold above which two appraisals are required. Advise grants-in-aid program grantees that when appraisals are required by or for their grants, the appraisals must be in conformance with the *Uniform Appraisal Standards for Federal Land Acquisitions (1992)*. Also advise grantees that if such appraisals are reviewed by Service review appraisers, the reviewer may request second appraisals, as provided for by the Appraisal Review Handbook (342 FW 2.4C(4)(i)).

Sec. 12 What is the difference between "accepted but not approved" appraisals and "rejected" appraisals?

a. When we require two appraisals, both must be acceptable. Since only one appraisal will ultimately be approved, the unapproved appraisal will be "accepted but not approved." An acceptable appraisal should offer data and analyses that demonstrate that

the appraiser has correctly employed the methods and techniques necessary to produce a credible appraisal. A contract appraisal is acceptable for payment when it meets contract specifications. An appraisal may be acceptable even if it has one or more flaws or errors in judgment that would keep it from being approved. As a corollary to this, two appraisals of the same property may both be acceptable without either being approvable as our official appraisal of fair market value.

b. A "rejected" appraisal is one that does not contribute to our confidence that the appraisal problem has been properly understood or that the approved appraised value will be reasonable and supported. Reject an appraisal when one or more of the following conditions are found:

- (1) Contains little or no relevant data;
- (2) Overlooks, ignores, or dismisses highly relevant or critically important data;
- (3) Adjustments to the data are wholly or substantially unreasonable;
- (4) Valuation is solely or primarily depends on an inappropriate appraisal method or technique (e.g., a developmental approach when the direct sales comparison approach would clearly be more applicable);
- (5) Based on unsupported, unrealistic, or highly speculative highest and best use;
- (6) Value is contingent on one or more unwarranted or misleading assumptions or hypothetical conditions that would significantly affect the conclusion of value.

Sec. 13 **What is the effective date of this Director's Order?** This Order is effective immediately. It will expire on June 30, 2000, unless superseded, amended, or revoked. We will include the contents of this Order in 342 FW 1 and 342 FW 2 of the Fish and Wildlife Service Manual and their associated Handbooks.

/s/ JAMIE RAPPAPORT CLARK
DIRECTOR

Date: May 17, 1999